MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2016/ 2017

BFN2084 – PERSONAL FINANCE

(All Sections / Groups)

20 OCT 2016
2:30 PM – 4:30PM
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of **5** pages with **Part A: MCQ and Part B: ESSAY**
2. Answer **ALL** questions and the distribution of the marks for each question is given.
3. Please write all your answers in the **Answer Booklet** provided.

ANSWER ALL QUESTIONS

PART A: MULTIPLE CHOICE QUESTIONS.
CHOOSE THE BEST ANSWER (40 MARKS)

1) By paying cash for a purchase, you
   A) forgo the opportunity to keep the cash in an interest-bearing account.
   B) always get a cash discount.
   C) can build a better credit rating.
   D) get better personal service from store employees.
   E) have a better selection of goods than if you use credit.

2) Mortgage loans, automobile loans, and installment loans for purchasing furniture or appliances are examples of
   A) a line of credit.
   B) a credit card loan.
   C) open-end credit.
   D) closed-end credit.
   E) convenience credit.

3) Reduced funds available for investment in our economy could result from
   A) expanded savings by consumers.
   B) higher exports than imports.
   C) reduced spending for consumer goods.
   D) higher imports than exports.
   E) all above

4) Which of the following would cause prices to drop?
   A) increased taxes on business
   B) higher levels of demand by consumers
   C) a demand for higher wages
   D) a reduction in the money supply
   E) increased production by business

5) The amount of interest is determined by multiplying the amount in savings by the
   A) annual interest rate.
   B) time period.
   C) number of months in a year.
   D) time period and number of months.
   E) annual interest rate and the time period.

6) If creditors add finance charges after subtracting payments made during the billing period, this is called the
   A) annual percentage rate method.
   B) discount method.
   C) previous balance method.
   D) adjusted balance method.
   E) average daily balance method.

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7) Which formula dictates that you pay more interest at the beginning of the loan and pay less and less interest as the debt is reduced?
   A) adjusted balance method
   B) previous balance method
   C) the rule of 78s
   D) average daily balance
   E) all above

8) Which of the following types of warranties is a specific agreement created by the seller or manufacturer?
   A) express
   B) implied
   C) full
   D) contingent
   E) limited

9) The process of resolving consumer complaints with the use of a third party who suggests a solution through discussion and negotiation is
   A) mediation.
   B) arbitration.
   C) a class action suit.
   D) the legal aid society.

10) Renting would be most appropriate for people who
   A) want to reduce their taxes.
   B) have difficulty establishing credit.
   C) have limited funds currently available.
   D) enjoy remodeling their residence.
   E) desire the financial benefits of increased equity.

11) A common financial benefit of home ownership is
   A) a low security deposit.
   B) tax deductibility of the down payment.
   C) amortization of the growth of equity.
   D) increased property value.
   E) all above

12) Earnest money has the purpose of
   A) paying real estate property taxes.
   B) reducing the mortgage interest rate.
   C) serving as good faith by a homebuyer.
   D) paying the real estate agent's commission.
   E) being a mortgage application fee.

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13) Todd Foley is applying for a RM100,000 mortgage. He can get a RM600 monthly payment for principal and interest and no points, or a RM520 monthly payment with 2 points? How many months will it take Todd to cover the cost of the discount points if he takes the lower monthly payment?
A) 6
B) 10
C) 18
D) 25
E) 48

14) Which of the following would be covered by a home insurance policy?
A) hospital expenses for surgery
B) damage to another person's car when driving
C) accidental injury to a coworker on the job
D) wind damage to your roof
E) theft of business supplies from your office

15) Your home insurance policy has a RM250 deductible. If a small fire causes RM600 damage to your home, what amount of the claim would the insurance company pay?
A) RM250
B) RM350
C) RM450
D) RM600
E) not able to determine from this information

16) Why have a growing number of students been without health insurance?
A) Because insurance companies refuse to insure them
B) Because students are young and healthy
C) Because students don't need health insurance
D) Because students don't care if they get sick
E) Because an older student population is not covered by family policies

17) Which type of health insurance policy may not cover all of your health insurance needs or may deny benefits if you lose your job?
A) group health
B) individual health
C) Basic health
D) Comprehensive medical
E) Disability income

18) What factors should you consider before you buy insurance?
A) your present and future sources of income
B) your savings
C) group life insurance
D) pension benefits
E) All of the above factors should be considered.

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19) Suppose that yours is a typical family. Your annual income is RM50,000. Use the easy method to determine your need for life insurance. Your insurance should be in the amount of
   A) RM245,000.
   B) RM300,000.
   C) RM345,000.
   D) RM400,000.
   E) RM450,000.

20) Which of the following is not a true statement?
   A) Real estate ownership represents one of the best hedges against inflation.
   B) Poor location can cause a piece of real estate property to go down in value.
   C) There are many factors to consider before investing in real estate.
   D) There is no reason to evaluate a real estate investment because real estate always increases in value sooner or later.
   E) Finding a buyer for a piece of real estate can be difficult if loan money is scarce.

PART B: ESSAY QUESTIONS (60 MARKS). ANSWER ALL QUESTIONS

Question 1: 20 marks

a) Bob and Mary Martin are both 35 years old. And although they graduated from college almost 15 years ago, they have never developed a diversified investment program. What extra money they had was invested in high-tech stocks that did quite well until the last three years. Then, with the economic downturn and terrorist attacks, they encountered major losses. How could asset allocation have reduced the dollar amounts of the Martin's losses? (15 marks)

b) Darlene Elkin has the following financial amounts: checking accounts RM850, savings account RM3,500, credit card balance RM300, jewelry RM1,600, real estate valued at RM78,000, a mortgage on the restate of RM23,000. What is the total of Darlene's assets? What actions could she take to increase her net worth. (5 marks)

Question 2: 20 marks

a) What are the steps in creating a plan to buy your life insurance? (10 marks)

b) What are the five basic types of health insurance? What are their benefits and limitations? (10 marks)

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Question 3: 20 marks

a) What coverages are commonly included in a homeowner's insurance policy? (10 marks)

b) John Ashforth needs to sell his home because of a job transfer to another city. What actions should John take to sell his home? (10 marks)

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